

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF GEORGE R. ) APPEAL NO. 07-A-2430  
HOBBS from the decision of the Board of ) FINAL DECISION  
Equalization of Canyon County for tax year 2007. ) AND ORDER

**RESIDENTIAL PROPERTY APPEAL**

THIS MATTER came for hearing on October 23, 2007 in Caldwell, Idaho before Hearing Officer Steve Wallace. Board Members Lyle R. Cobbs, Linda S. Pike and David E. Kinghorn participated in this decision. Appellant George R. Hobbs appeared. Appraisal Supervisor Barbara Wade and Appraiser Don Towery appeared for Respondent Canyon County. This appeal is taken from a decision of the Canyon County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. 343590000.

**The issues on appeal are the market value of a residential property and whether additional acreage qualifies for the agricultural exemption under I.C. §§ 63-062, 63-604.**

**The decision of the Canyon County Board of Equalization is modified.**

**FINDINGS OF FACT**

The subject property was assessed a 1.00 acre homesite valued at \$90,000, improvements valued at \$97,700, and 1.21 acres of agricultural property valued at \$1,000. Subject's total assessed value is \$188,700. Appellant requests the homesite value be reduced to \$45,000 and the improvements' value be reduced to \$87,700. Appellant requests the Board reduce the homesite to 0.50 acres and increase the agricultural property to 1.71 acres.

Subject is located in an agricultural area northeast of Nampa, Idaho. Built in 1944, the residence has 1,475 square feet of living space and an 810 square foot unfinished basement. The residence is used as a rental property. A detached two-car garage is located on the homesite. The parcel is 2.21 acres including a 1.00 acre homesite and 1.21 acres of agricultural

property. The agricultural property is used to stage irrigation and farm equipment for a separate, adjacent 100-acre farm co-owned by Appellant. A registered irrigation well and irrigation box are located on the agricultural property.

It was maintained the residence was “used pretty hard as a rental and a farmhouse” since 1944 and still had original plumbing and electrical systems. It was asserted the plumbing and electrical systems would need updating before the residence could sell for the total assessed value of \$188,700.

Appellant initially estimated the cost to update subject’s plumbing and electrical systems at \$10,000. However, it was reported contractor bids were needed to verify and detail these costs. Appellant requested permission to submit “actual estimates” post-hearing. The presiding officer permitted the record to remain open for two (2) weeks.

In a post-hearing submission dated November 1, 2007, Appellant noted “the estimates to rewire the house from a licensed electrician would be \$8,000 . . . and the plumbing would be \$7,000.” Detailed documentation for the plumbing and electrical upgrades was not provided. The submission included six (6) photographs showing obsolete plumbing and electrical systems.

At hearing, Appellant described the unfinished basement as a “walk-in crawl space” that was “not usable” because of its poor condition. The basement was constructed of porous cinder block walls and was accessible via an exterior entrance and an interior stairway from the main level. Two (2) photographs showed an unfinished basement with cinder block walls. The current tenants installed a washer and dryer in the basement. The rental agreement excluded the basement as usable living space. Previous tenants used the basement for storage.

The Deputy Assessor who conducted the initial appraisal rated the basement as “60% finished” and assessed the basement’s value at \$16,740. For comparison, the assessed value of all improvements (i.e., residence and detached garage) was \$97,700. At hearing, the County conceded decreasing the basement finish to 0% would reduce subject’s assessed value by \$7,300.

According to Appellant, a “reasonable comparison” of older homes could only be accomplished by examining the plumbing and electrical system of each property. Respondent reported no interior inspections were performed for the comparable sales.

It was asserted 0.50 acres of the current homesite assessment should have been assessed as agricultural property. The rental agreement restricted tenant use to a 0.50 acre homesite. The remaining 2.21 acres was used as a “staging point” for machinery and irrigation pipe and was the location of a “100-acre irrigation well for the farm.” Approximately 0.50 acres of the 2.21 acres were used to park and store farm equipment. Appellant’s post-hearing submission included four (4) photographs showing “farm equipment” (i.e., tractors, trailers, vehicles, irrigation pipe, and other farm implements) stored on subject. Also included were two (2) photographs showing an “irrigation well” and an “irrigation box” located on subject.

Respondent provided data from three (3) residential property sales to establish the market value of subject’s homesite and residence. The sales occurred between March and September 2006 and were located within 11 miles of subject. The lots were between 0.55 and 1.19 acres. The residences were built between 1945 and 1949, but were 15% to 38% smaller than subject (215 to 564 square feet). Multiple Listing Service (MLS) data and photographs of the comparable properties showed a wide range of conditions and features. However, the condition of each property’s plumbing and electrical systems was unknown. Sale prices ranged from \$170,100 to

\$183,900, or \$141 to \$189 per square foot. For comparison, subject's homesite and improvements were assessed at \$187,700, or \$127 per square foot. See Table 1 below:

**Table 1. Respondent's Comparable Sales**

Comparable Property	Dist. (Mi.)	Year Built	Finished Sq. Ft.	Bed	Bath	Homesite Acres	Total Amount	Amount Per Sq. Ft.	Closing/Assessed Date
<b>Comparable 1*</b>	6.50	1945	911	2	1	1.00	\$172,000	\$189	Jun-06
<b>Comparable 2</b>	7.90	1946	1,210	2	1	1.19	\$170,100	\$141	Sep-06
<b>Comparable 3</b>	10.90	1949	1,260	2	1	0.55	\$183,900	\$146	Feb-06
<b>SUBJECT (Assessed)</b>	--	<b>1944</b>	<b>1,475</b>	<b>2</b>	<b>2</b>	<b>1.00</b>	<b>\$187,700</b>	<b>\$127</b>	<b>Jan-07</b>

\* MLS data provided by Respondent also states 3 bedrooms and 2.21 acres for this property.

A photograph of subject, dated February 6, 2007, showed an exterior view of the residence. The yard was unfenced, thick with plant life, and not maintained. The roof, exterior siding, and paint were in good condition. The residence was set back a short distance from Ustick Road.

Respondent claimed a one-acre homesite was common for agricultural properties in Idaho. It was asserted the market value of a 0.50 acre homesite, were Appellant to "deed off" that parcel, would be greater than \$45,000 or 50% of the currently assessed value of \$90,000 per acre. It was estimated the market value of a 0.50 acre homesite would be "about 75%" of the current per-acre price.

### **CONCLUSIONS OF LAW**

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.



Idaho Code provides that “All property within the jurisdiction of this state, not expressly exempted, is subject to appraisal, assessment and property taxation.” I.C. § 63-203.

Idaho Code further directs that “rules promulgated by the State Tax Commission shall require each assessor to find market value for assessment purposes of all property.” I.C. § 63-208(1).

Idaho Code allows a partial exemption for “land actively devoted to agriculture.” To qualify for the exemption, the property must be (1) used to produce “field crops” such as grains, feed crops, fruits, and vegetables; (2) used to produce nursery stock; (3) used for the grazing of livestock to be sold as part of a for-profit enterprise; or (4) part of a “cropland retirement or rotation program.” I.C. § 63-604(1)(a).

Appellant requests the Board designate 50% of the one-acre homesite as “land actively devoted to agriculture.” Under Idaho’s definition of “land actively devoted to agriculture,” this half-acre does not qualify. First, Appellant does not use that land to produce field crops or nursery stock. Second, the land is not used for the for-profit grazing of livestock. Third, the land is not in a cropland retirement or rotation program. The half-acre is used merely to store farm related equipment, a common use for a farm homesite. The purpose of an agricultural exemption is to encourage landowners to use their property to produce marketable products for public consumption. The Board finds 50% of the one-acre homesite is not *actively* devoted to agriculture and does not qualify for an agricultural exemption, even though it is excluded by the rental agreement.

Appellant’s valuation case rests principally on the assumption that subject’s obsolete plumbing and electrical systems necessarily result in a lower assessed value. Photographs clearly show subject’s plumbing and electrical systems are outdated. Although these systems

might need updating before sale, their affect on subject's present value is unclear. At hearing, Appellant personally estimated repair costs at \$10,000, but requested additional time to gather and submit professional estimates. Appellant's post-hearing submission did not include these estimates. Instead, the submission merely states "estimates to rewire the house from an licensed electrician would be \$8,000 . . . and the plumbing would be \$7,000 . . . obtained from a plumbing contractor." Appellant did not offer additional evidence to support these estimates. Although the Board finds these estimates reasonable, it rejects a "dollar-for-dollar" reduction in subject's assessed valued. A basic property valuation principle is that the value of a component of property depends upon its contribution to the whole. In other words, the cost of a component does not necessarily equal the value the component adds to the property. If Appellant invested \$15,000 to update subject's plumbing and electrical systems, subject's market value would not increase proportionally. In the absence of empirical data, the Board estimates the value contribution of plumbing and electrical improvements would equal 50% of total estimated repair costs, or \$7,500. Therefore, the Board finds a \$7,500 reduction to subject's assessed value is reasonable and supported by a preponderance of the evidence.

The County's comparable sales provide some evidence of market value. The sales analysis was weak on size and condition considerations. Unfortunately, any errors would tend to overstate the subject homesite and improvements' value. As with the affect of land size on market value, subject's additional living space would probably yield a lower value than the first 1,200 square feet.

Both parties questioned the accuracy of the basement's assessed value. The initial appraisal rated the basement as "60% finished," which resulted in an assessed value of \$16,740 for the basement. This represented 17% of the assessed value for *all* improvements (i.e.,

residence and detached garage). Photographs show the basement has little finish and is put to minimal use. Valuing the full basement area and adding value for the minimal finish overstates the property's functional utility and market value. At hearing, the County Assessor stated eliminating the basement finish would reduce subject's assessed value by \$7,300. The Board finds an additional reduction of \$7,300 to subject's assessed value is appropriate and supported by a preponderance of the evidence.

The decision of the Canyon County Board of Equalization will be modified accordingly to reflect a \$14,800 decrease in the assessed value of subject's improvements.

### **FINAL ORDER**

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Canyon County Board of Equalization concerning the subject parcel be, and the same hereby is, modified to reflect a \$14,800 decrease in the assessed value of subject's improvements. Subject's total assessed value is reduced from \$188,700 to \$173,900.

IT IS FURTHER ORDERED that any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

MAILED January 31, 2008